

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Rural Development – Introduction of Loan Insurance Scheme (Group Life Insurance scheme against Loan) to IKP SHG members announced by Government of AP – Orders –Issued

PANCHAYAT RAJ & RURAL DEVELOPMENT (RD-II) DEPARTMENT

G.O.Ms.No. 3

Dated:4.01.2011

Read :

Proposal of CEO, SERP, Hyderabad dated:10.12.2010.

ORDER

Since the advent of the SHG-Bank linkage, 9.75 lakh SHGs have accessed bank credit of Rs. 22,000 crores. Chief Executive Officer, SERP, Hyderabad in his reference cited above stated that SERP has been striving to ensure that the loans taken by SHGs are promptly repaid. However, it was pointed out that on an average, there have been deaths of 35,000 SHG members in a year in the age group of 18-59 years leaving outstanding loans to the families. Such untimely deaths not only impoverish the families dependent on them, but would also destabilize the SHGs by putting unsustainable burden on other members.

2. In order to ensure to provide relief to the bereaved families from the debt burden, CEO, SERP proposed to implement a loan insurance (Group Life Insurance scheme against Loan) scheme from January 2011 for the benefit of SHG members for the age group of 18 to 59 years. This low cost loan insurance product would not only minimize the risk to the SHG members but would also reassure the bankers for improving SHG lending further.

3. Government, after careful consideration, approve the proposal to introduce "**Loan Insurance Scheme (Group Life Insurance scheme against Loan)**" starting from January 2011 cover all SHG members, between 18 to 59 years age, availing SHG –Bank Linkage loans with a life insurance product subject to the following:

- a) The agencies & the premium rates shall be fixed by SERP after going through a transparent process.
- b) The Insurance premium amount is payable for the whole tenure of the Loan as a single premium at start of the tenure itself, duly deducted from the loan.
- c) Prompt servicing of the claims shall be facilitated through the respective Zilla Samakhya Call centres.

4. Further, CEO SERP is advised to implement the above insurance on a pilot basis in selected Mandals in three districts namely Chittoor, Medak and East Godavari from January 2011; and extend to the whole State from April, 2011 onwards. He is also requested to issue detailed guidelines for operationalising the scheme and communicate to the concerned under intimation to the Government

5. A copy of this order is available on the Internet and can be accessed at the address: <http://www.rd.ap.gov.in>.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R.SUBRAHMANYAM

PRINCIPAL SECRETARY TO GOVERNMENT (RD)

To
The Chief Executive Officer, SERP, Hyderabad
All Project Directors, DRDAs in the State

Copy to:

The PS to Principal Secretary to Govt. (RD)
The PR & RD (General) Department
SF/SC

//FORWARDED :: BY ORDER//

SECTION OFFICER